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An Overview of Needs Theories behind Consumerism

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Abstract

Wynn and Coolidge [2004] have hypothesized that one of the key reasons why the Homo Sapiens progressed to being modern man while the Neanderthal man didn't, is that the former developed through innovation (from artefacts to advanced hunting methods) while the latter has left no trace of such evolution. Almost as if the Neanderthal man did not see the need to progress and accepted circumstances as fact. If this is true then the Homo Sapiens have not only developed psychological and objective needs but have progressively updated them as well. Maslow put it beautifully by saying "You will either step forward into growth, or you will step backward into safety".

This paper is the first part of a two part series. Here we provide an overview of needs theories and discuss them in the context of consumerism, consumption and opportunities for enterprises. In part two, needs and opportunities are linked to markets, benefits and strategies through a specific 3D model based on Maslow's pyramid. To pave the way for this approach we also promote a model (PIE-Persons, Institutions and Enterprises) with the intent to help enterprises view consumers, institutions and their organisation as one interweaved entity.

Needs theories are known to be crucial behind much of the understanding of human behaviour and in particular in the workplace and by the consumer. This paper examines the development of hierarchical needs theory from Maslow to Gough with the intent to better identify consumer needs, provide examples of current and past business opportunities and macroscopically show the progression from red to blue ocean strategies .

*The authors provide an overview of needs theories seeded through motivational theory also with the aim to uncover the differences in **having** (sometimes known as deficit needs) and **being** needs (sometimes known as growth needs) and then subsequently link them to enterprise strategies, improved consumer understanding and better market exploitation.*

Keywords: Maslow, Herzberg, Needs, Motivation, Having, Being, Uniformity, Diversity, Part A

Type of article: Non-quantitative theory;

Dimensions and units: None

Introduction

The psychological definition of a need is that it is a trait that impels an individual to pursue a goal through an action that also gives purpose, meaning and direction for the behaviour of the individual. As a human being we may explicitly solicit our needs in two ways, Psychologically or Objectively. In the first case we perceive the need as being an unsatisfied objective need and many scholars such as Maslow [1954] and Alderfer [1972] have investigated the hierarchical structure of psychological needs. In the second case an objective need is seen as specific manifestation of a goal to be attained and has been addressed also by academics such as by Gough [1994] and Doyal [1991].

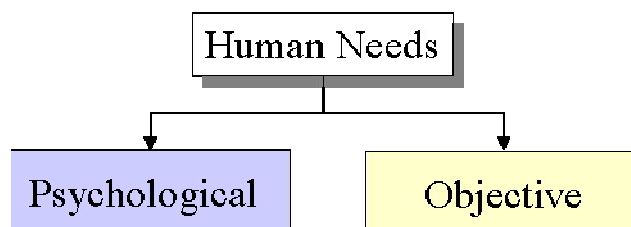


Figure 1 – Basic Types of Human Needs

Recently Wynn and Coolidge [2004, 2008] have hypothesized that one of the case reasons why Homo Sapiens progressed to being man while the Neanderthal man didn't, is that the former

developed through invention (everything from artefacts to sophisticated hunting methods) while the latter has left no trace of such advancement. Almost as if the Neanderthal man did not see the need to progress and accepted circumstances as fact. If this is true then Homo Sapiens have not only developed both types of basic human needs but have progressively updated them as well. Needs theories are known to be key behind much of the understanding of human behaviour and in particular workplace and consumer behaviours. The prime objective of this paper is to provide an overview of the needs theories so as to link consumer needs to enterprise strategies. We investigate the individual in terms of consumer, consumerism and consumption.

John Locke [1632-1704] explored the concept of property both in terms of human interests and aspirations as well as material goods [cited by Horwitz et al., 1990]. Locke also defined the *self* (what we call the individual today) which he considered to be a "conscious thinking thing" composed of the spiritual or material in a 'simple or compounded' manner.

The apex of needs theories development occurred between the 1930s and mid. 70s, indeed it is here that we see groundbreaking work from Allport [1933], Maslow [1943, 1954], Lowry and Maslow [1979], Alderfer [1972], James [1890], Herzberg [1959] etc. who investigated the motivation of individuals in organizations and it is for this reason that we speak of motivational theory¹. Maslow in particular developed his 5 stage (or levels) hierarchy needs model which has become so popular that even after his death in 1971 he is attributed to the 7 stage and 8 stage versions of the same model but developed by others [Lowry, 1971].

The outcome of this 40 year period led to many new or modified needs models that have been applied also in other fields including marketing, consumer behaviour [Kotler and Keller, 2006], human resources [Cullen, 2001], management [Kiel, 1999; Huitt, 2001], information [Norwood, 1999], teaching and learning [Eccles, 2002], athletes and sports [Fortier et al., 2007] etc. Since then interest has slowly switched to either investigating the exploitation of needs theories or explaining how individuals define needs and subsequently transform them into goals, behaviour and decisions.

Over the last century, and especially in the last 4 to 6 decades, we have also seen the evolution of the consumer and the marketplace, going from consumers of the massified product to one of hyper-personalised products and services. We have also witnessed the stratification of product offerings from horizontally to vertically differentiated products culminating in what is currently termed *inaccessible luxury* [Ward and Chiari, 2008]. In this context it is not surprising that academics, enterprises and authorities have all focused their attention on understanding, leveraging and regulating such knowledge [Gough, 1994]. This paper sets out to provide an overview of needs theories in the context of consumerism and paves way for subsequent enterprise strategies.

The Evolution of Needs, Motivation and Maslow's Model

As a human being we have always searched for the satisfaction of our basic needs, namely survival needs including food, water and shelter [Wynn and Coolidge, 2004, 2008]. These needs are inborn and warranted by our body to sustain life rather than just improve it. One could address these needs at a primitive level since they do not actually form a construct dependent on our peers or external social factors i.e. they are both cognitive and physiological in nature. Indeed recent research into mathematics and cognitive psychology [Lakoff and Núñez, 2002] have shown that newly borns are capable of 'counting' up to 3 objects even without knowledge of basic arithmetic. In a similar way our body is capable of recognizing needs for warmth and nutrition.

In his discussion on consciousness, William James anticipated the model later proposed by Maslow, describing the different constituents of the empirical self on "a hierarchical scale, with the bodily 'me' at the bottom, the spiritual 'me' at the top, and the extra-corporeal material selves and the various social selves between... according to their worth" [1890]. While the body represents the

¹ There are two types of motivational theories, namely Extrinsic and Intrinsic. In the former case motivation is stimulated by external factors such as rewards and recognition while in the latter motivation comes from within the individual, such as curiosity, challenge, self-determination.

heart of the material self, clothes, family, home and possessions come immediately after as parts of human beings' life. James associates instead the social self with the recognition gained by other members of society and fellows, so that "a man has as many social selves as there are individuals who recognize him and carry an image of him in their mind" [James, 1890]. The spiritual self finally represents the central source of effort and interest: it actually comprises individuals' subjective and inner being together with their psychic faculties, intended as sensory perceptions and emotions as well as motor ideas and concepts [Johnson and Henley, 1990]. Examining the different selves, James also described the existence of instinctive impulses acting as functional means to attain personal goals that fall within bodily, social or spiritual self-seeking and progress endeavours. Due to the conflictive relationship present among the different selves, it is however, evident the inherent impossibility to concurrently augment all the aspects: based on the aforesaid hierarchical view, the preservation and growth of the spiritual self clearly acquire the highest priority, after a thoughtful evaluation of "the immediate and actual, and the remote and potential" [1890].

Table 1 – James' Empirical Life of Self

	Material Self	Social Self	Spiritual Self
Self-Seeking	bodily appetites and instincts, love of adornment, acquisitiveness, love of home, constructiveness etc.	desire to please, envy, be noticed, admired, love, sociability, emulation, pursuit of honour, ambition etc.	intellectual, moral and religious aspiration, conscientiousness etc.
Self-Estimation	personal vanity, modesty, pride of wealth, fear of poverty etc.	social and family pride, vainglory, snobbery, humility, shame, etc.	sense of moral or mental superiority, purity, sense of inferiority or of guilt

In 1937 Allport published a paper on dynamic psychology and discusses the functional autonomy of motives. He states that "adult motives as infinitely varied, and as self-sustaining, *contemporary* systems, growing out of antecedent systems, but functionally independent of them. Just as a child gradually repudiates his dependence on his parents, develops a will of his own, becomes self-active and self-determining, and outlives his parents, so it is with motives. Each motive has a definite point of origin which may possibly lie in instincts, or, more likely, in the organic tensions of infancy. Chronologically speaking, all adult purposes can be traced back to these seed-forms in infancy, but as the individual matures the tie is broken. Whatever bond remains, is historical, not functional". Allport's analysis is remarkable because it unfolds another aspect behind needs and that is the development of the individual and the context within which such development occurs.

During the same period Abraham Maslow was studying rhesus monkeys and motivational research at the University of Wisconsin for which he was awarded a PhD in psychology in 1934. His work was so grounding breaking that it is one of the very few universally accepted works on motivation and needs that carries the authors name and for which a dedicated branch is provided (see figure below) in motivation theory.

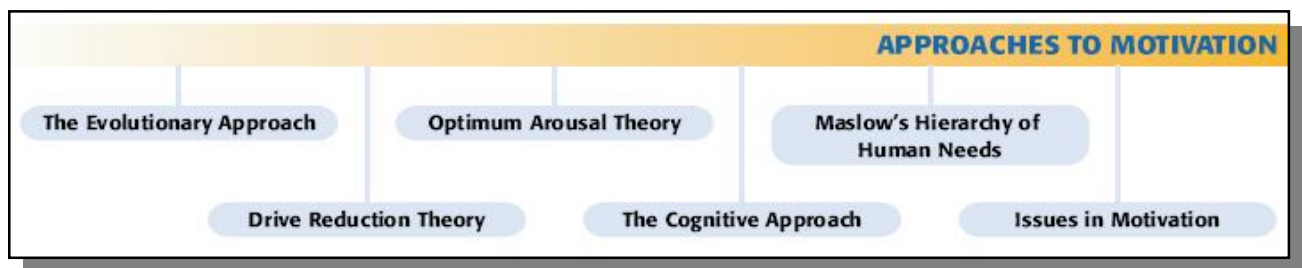


Figure 2 – Approaches to Motivation

Source: http://highered.mcgraw-hill.com/sites/dl/free/0072937769/128305/Santrock_PU7e_ch11.pdf, page 425

He later he moved to New York's Brooklyn College where he developed his epic model now known as Maslow's five stage needs model and shown next.

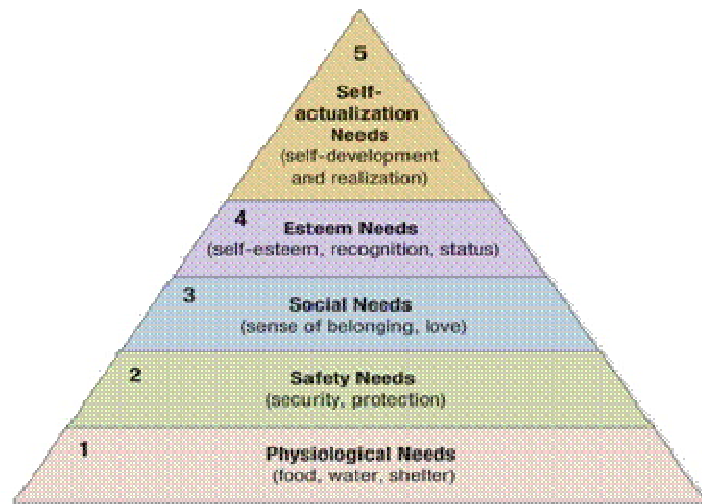


Figure 3 – Maslow's hierarchy of 5 needs

(source: Kotler and Keller [2006]. *Marketing management (12th edition)*, New Jersey, Pearson Prentice Hall, p. 185)

Maslow considered survival needs as being the first and foremost of all needs since without their complete satisfaction an individual would not progress to other types of needs. He classified these needs as Physiological Needs. Other academics dispute this concept of the development of needs since it has been demonstrated that individuals can simultaneously desire and search for more than one need at a time and may well prioritise them differently and within each stage. In fact the first stage was later restated as Biological and Physiological Needs [Gorman, 2004] that include air, water, food, shelter, warmth, sex and sleep.

According to Maslow's original thoughts a person will strive for further and higher positioned or ranked needs only when the lower level needs (also known as 'deficiency needs') have been consistently and permanently met. In doing so Maslow was stating that this striving is essentially the engine behind an individual's personal growth and is both a measure of motivation as well as dissatisfaction/satisfaction. Maslow devised his 5 level Hierarchy of Needs motivational model while investigating motivation in workforces in organizations [Maslow, 1954]. His pioneering work was a real eye-opener because organizations were suddenly confronted with the realisation that workforces required managing not controlling and this was only achievable if the needs of individuals were fully understood and developed. The outcome of his work is described in five stages or levels housed in a stratified pyramid, commonly known as Maslow's pyramid of needs (see figure 3). Each level or stage is summarised as follows, starting from the most basic stage (1) and ending with a stage (No.5) known as self-actualisation:

1. Physiological needs such as food, drink and shelter.
2. Safety needs such as security and protection.
3. Social needs such as belongingness and love.
4. Esteem needs such as status, self-esteem and recognition.
5. Self-actualisation needs such as self-development and realization.

We consider the 5 needs model to be split into two, unequal parts, namely the first 4 stages or levels concern the 'having' or materialistic while the last stage is termed 'being' since it is non-materialistic and holistic in nature, something we consider here as 4:1 (4 having and 1 being).

Maslow thought of his model as a naturally progressive method of prioritising human needs later it became clear other fields of research could use this approach to better address consumer needs. The affection for Maslow by marketers is quickly explained since it offers a deterministic approach in an otherwise non-deterministic marketplace. In other words consumer needs are analysed,

categorised and prioritised in a prescriptive² manner [Mintzberg et al., 1998] since the same individuals are also consumers. Indeed the marketplace, just like the workplace, is simply an environment in which the individual is called upon to play his or her role in sustaining and/or expressing well-being and wealth. Hence in the case of the marketplace the individual is the consumer while in the workplace he or she is the worker. In the context of consumerism the scope of the workplace is to provide the worker with the necessary economic status to play his or her role as a consumer. If the worker does realise his or her needs then this is directly reflected for the same person as a consumer, something that we could consider as a ‘knock-on’ effect, or cause and effect.

A recent European report indicates [www.fao.org], that with the increase of personal incomes, individuals tend to spend a higher proportion of their income on activities that are higher placed in Maslow’s hierarchy of needs, and less on satisfying their basic needs. That is why, for example, in most developed countries, only a small proportion of personal income is currently spent on food, while in developing countries this can account for a significant proportion, or even the majority, of personal expenditure. This link between personal incomes and consumerism not only rebalances and reorders consumer needs but also shows that the needs in each stage are also stratified further. In fact in the following figure (consumption versus pro capita GDP) we can observe, for example, that food and shelter are distinct just as knowledge and awareness. Also the same graph shows that the lower the income, the bigger the percentage spent to satisfy primal needs.

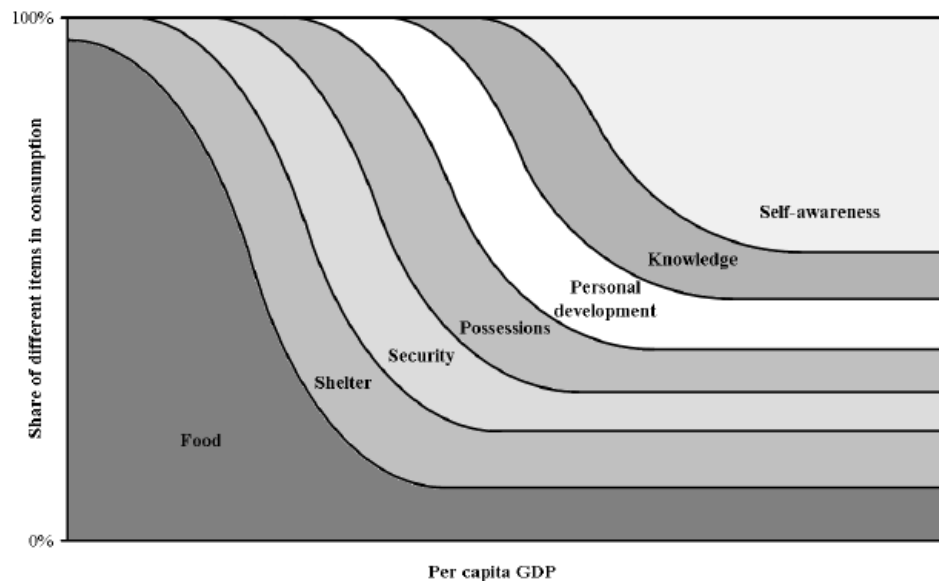


Figure 4 – Relationship between needs and income

(source: www.fao.org)

In the 70s Maslow is attributed to extending his needs model [Lowry, 1979] and is often referred to as the 7 *needs* model since it includes two new categorised needs namely *cognitive* and *aesthetical* needs. A further distinction in the new model is that needs are more well defined, for example, the first level identifies biological and physiological needs while safety needs are not just about personal safety but also include law and order. The emphasis on the specification of needs shows an increase in societal awareness about human needs and in particular consumer and people needs. It could also be a clear indication of the fragmentation³ of the consumer and the rise of a consumer that is still focused in the ‘having’ that pertain to the first 4 levels of Maslow’s pyramid) but is leaning progressively more towards the ‘being’ i.e. towards self-actualisation. However, doubts that the 5 needs model was incomplete [Simons et al., 1987] eventually led to understanding that between esteem needs and self-actualization there were other needs. In this paper we voice this

² By prescriptive one intends that the necessary initiatives taken by enterprises and leaders to satisfy consumers hence it follows a fact-based management approach.

³ By fragmentation we imply the birth and development of niche consumer categories or new segmentation.

doubt even more since the move from ‘having’ to ‘being’ needs require some superimposition and a mix of more interior needs. Another claim we make is that consumers not only have the needs claimed by (for example, by Maslow but also the need to realise their needs as fast as possible (think of fame in the context of status) and also the need to dedicate as less effort as possible to satisfy or gurantee the need. We believe that there are other aspects that prioritise needs but this will be discussed in part two of this series of papers.

As said in the 7 needs model two new stages are envisaged namely Cognitive needs and Aesthetic needs. Both these needs act as a bridge between the having and being parts of Maslow’s pyramid. In the modern mindset cognitive needs are expressed through a desire to understand and find meaning, thus knowledge (or lack of it) appears to be the main driver behind this need. Similarly aesthetic needs are spurred by the search for beauty, balance, form etc. and thus imply a desire to appreciate detail and self-expression. In this sense the two new needs overlap and superimpose with self-actualization. Lowry describes the needs of the 7 needs model as follows:

1. Biological and Physiological needs – air, food, drink, shelter, warmth, sex, sleep, etc.
2. Safety needs – protection from elements, security, order, law, limits, stability, etc.
3. Belongingness and Love needs – work group, family, affection, relationships, etc.
4. Esteem needs – self-esteem, achievement, mastery, independence, status, dominance, prestige, managerial responsibility, etc.
5. Cognitive needs – need for knowledge, meaning, etc.
6. Aesthetic needs – appreciation and search for beauty, balance, form, etc.
7. Self-Actualization needs – realising personal potential, self-fulfilment, seeking personal growth and peak experiences.

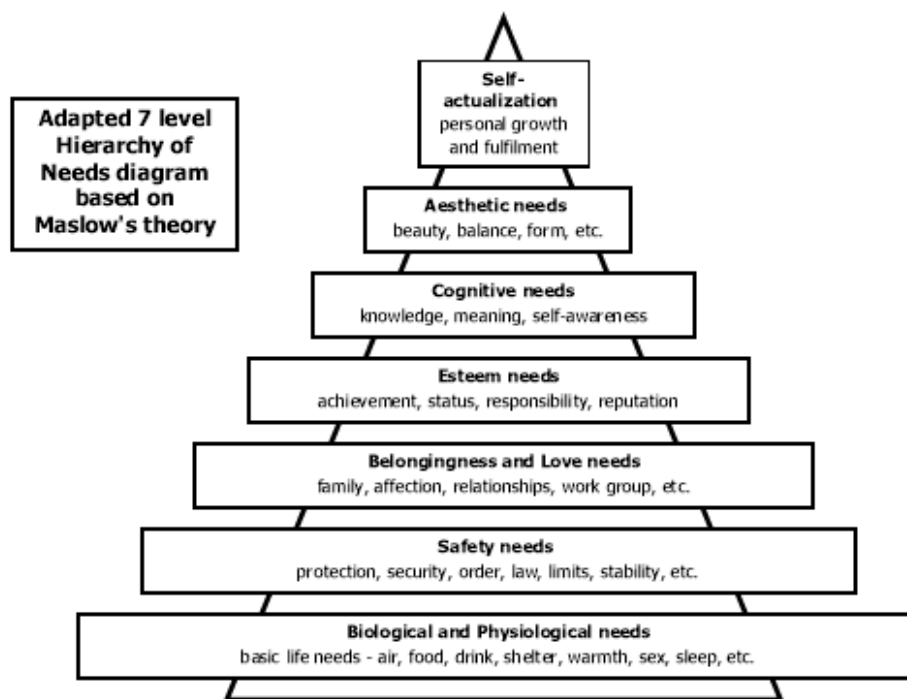


Figure 5 – Maslow’s hierarchy of 7 needs

(source: <http://www.businessballs.com/maslowhierarchyofneeds7.pdf>)

It is worth noting that Maslow recognised that his initial idea that there was only one growth need, namely self-actualization, was weak and required further differentiation, he voiced this but never actually included these two new lower-level growth needs [Maslow & Lowery, 1998]. By doing so he introduced a ladder approach to self-actualization and accepted that self-actualised individuals possess at least four characteristics: 1) Are problem or goal focused; 2) Have boundless optimism

about life; 3) Believe strongly in personal growth; and 4) Have an expected attitude towards peak performance and experience such as top athletes. Indeed it could be concluded that self-actualisation manifests itself in further needs.

We consider the 7 needs model to be split again into two, unequal parts, namely the first 4 stages or levels concern the 'having' or materialistic while the three upper stages reinforce the concept of 'being' i.e. they are non-materialistic and holistic in nature. In this continuum we consider the 7 needs model to be 4:3 (4 having and 3 being).

In the 8 needs model [Maslow, 1971] a new level follows that of self-actualization in which people push self-actualization for others. Maslow imagined this need as a **transcendence** need i.e. a stage that represents the realisation of the being for the goodness of others as well as oneself e.g. scout leaders, preachers etc. In this new need people progress further because they help others to self-actualise via the realisation of their potential. By combining self-actualization and transcendence people put their knowledge to good use, by developing and disseminating their wisdom⁴.

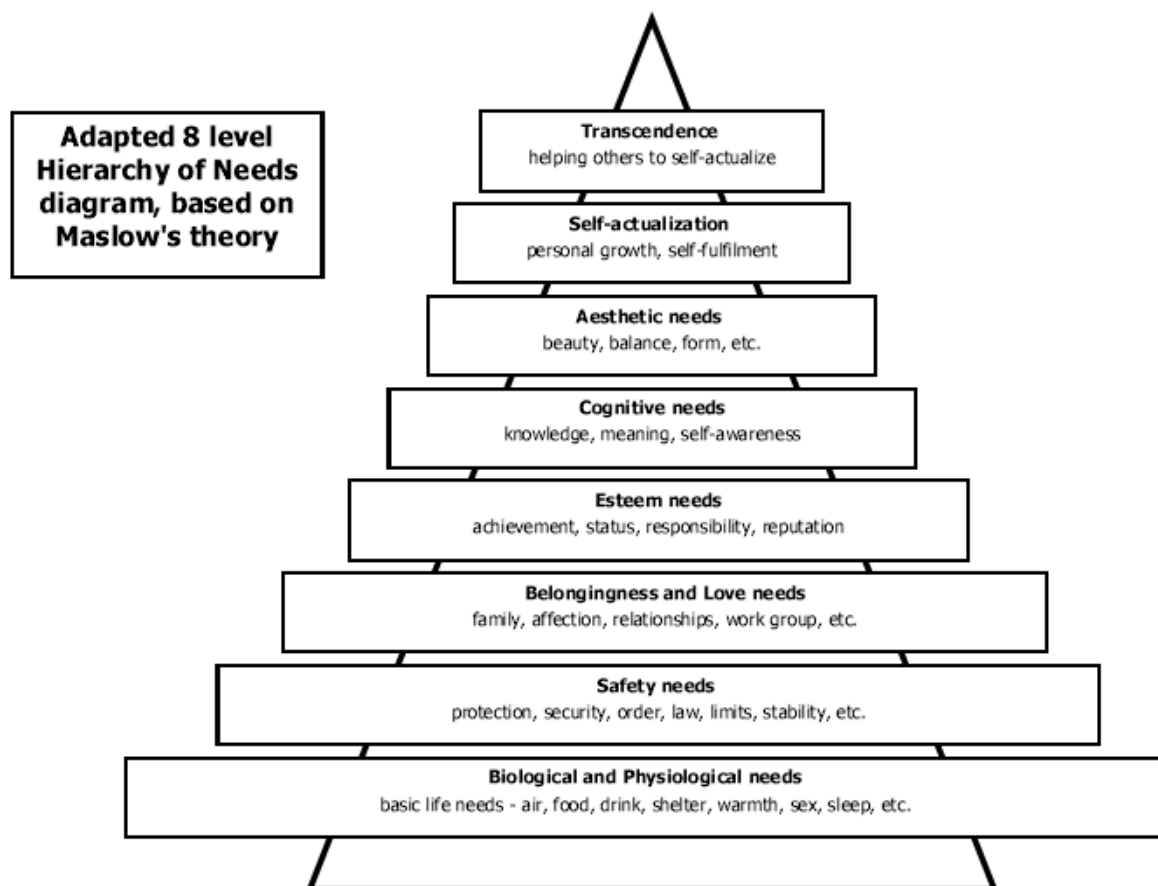


Figure 6 – Maslow's hierarchy of 8 needs

(source: <http://www.businessballs.com/maslowhierarchyofneeds8.pdf>)

According to Austrian neurologist Viktor Frankl [1959] self-actualization represents only a by-product of self-transcendence, as the true meaning of life is to be found in the world rather than within human beings. Based on this interpretation, rather than identify self-actualization and self-transcendence needs as distinct and hierarchically organized, Michael Daniels [2001] suggested that self-actualization is the same as or, at least implies, self-transcendence. Indeed if we take teaching as an example it is difficult to separate the motive to teach as self-actualization or self-

⁴ Daniels [2001] suggests that Maslow's ultimate conclusion that the highest levels of self-actualization are transcendent in their nature may be one of his most important contributions to the study of human behaviour and motivation.

transcendence or both. However, it would seem logical and sequential to think that before teaching others how to teach one needs to learn how to teach.

We consider the 8 needs model to be a 4:4 model (4 having and 4 being) and thus suggest that as human needs have progressed we see a shift, and much greater emphasis, on the 'being', which we consider to be a distinctive feature of the post-industrial and modern consumer.

So far we have seen a search to provide the most detailed, yet summarized account, of human needs. Revich [2005] takes a different approach and, starting from Maslow's 5 needs pyramid, reverts to a more simpler and universal model. This model, known as the Three Fundamental Needs (or TFN) model divides the pyramid into three areas. Revich argues that needs are time dependent (i.e. they depend on circumstance and the stage of life of the individual) and therefore their relationship and importance will change. What is interesting about this model for consumerism is that hierarchy is temporary and that consumers will expand or shrink each one of the three circles of needs to match the moment, i.e. a sort of temporary evolution.

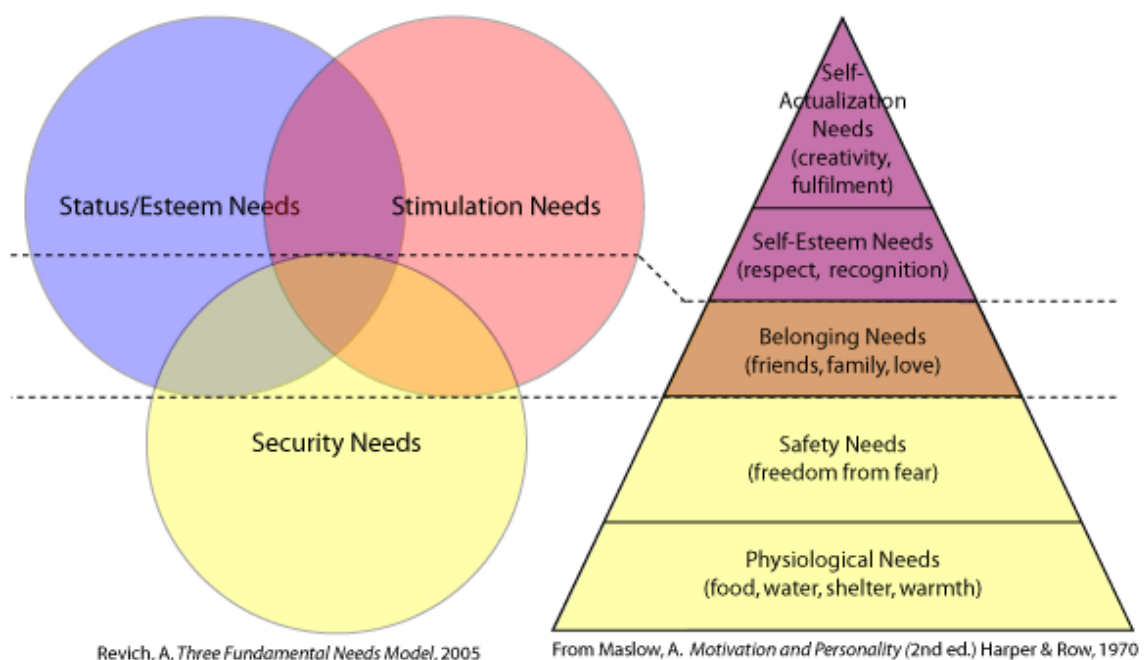


Figure 7 – Revich's Three Fundamental Needs model

(source - www.workitout.ca)

Maslow has spurred a whole collection of competing, dedicated or complimentary models. William Glasser [1998], for example, promotes a five needs model based on: 1. Survival, 2. Love and belonging, 3. Power and Recognition, 4. Freedom and 5. Fun. His theory concerns that of control or choice, in fact his model is also known as 'Control Theory' or 'Choice Theory', and is perhaps more in-line with modern society and consumerism than Maslow's model. Glasser's work has been widely acclaimed by teachers and in the classroom. He stresses that we are *genetically programmed* to satisfy our psychological needs [page 28].

Dean Spitzer considers motivation in terms of desires and promotes an Eight Desires model. In it he describes human desires in a non-hierarchical fashion that include; Power, Activity, Recognition, Affiliation, Competence, Ownership, Meaning and Achievement, thus making a direct connection with the work of McClelland and Maslow.

Interestingly needs theories consider the human being as an individual that has varying needs and priorities throughout life yet none of them actually focus on the differences between adults and children. Susan Price [1994] has identified the Eight Needs of children starting from physical protection such as safety and the need to be protected against physical harm. She goes on to discuss

Physiological, Psychological, Social, Emotional, Intellectual, Educational and Spiritual needs. What is particularly interesting about this model is that here we see the importance of context, the environment and development of the individual and the emphasis on 'special needs'.

So far we have discussed needs with minimal linkage to structured consumer needs or requirements. In this context it is worth mentioning the work of Professor Noriaki Kano of Tokyo Rika University who elaborated a model to assist companies in the analysis and understanding of consumer needs. Like Herzberg's hygiene factors to be discussed later, Kano's basic needs represent the fundamental features buyers normally expect from a certain product or service. As they are taken for granted, they appear as unspoken but if left unmet, they become sources of profound customer dissatisfaction. On the contrary, consumers tend to explicitly express and seek performance needs, which are generally addressed by standard attributes that either increase or reduce satisfaction depending on their actual functioning. While focusing on these two categories allow organizations to enter and remain in the market respectively, according to Kano real excellence can be attained only through customer delight fostered by the fulfillment of excitement needs [cited by Stroud]. This implies that the emphasis is on discovering, satisfying and anticipating latent consumer needs rather than declared needs, examples such as the 'self-parking' car, the remote control, Blackberry, iPod etc. are just a few products that follow this rule.

Furthermore we consider Kano's model to promote blue ocean strategy rather than red ocean strategy. As Kano's model suggests this is achieved by addressing three specific requirements, ranging from dissatisfiers to delighters:

- **Satisfying basic needs:** Allows a company to enter the market and thus overcome incumbency by competing with enterprises already there. This is typical of red ocean strategy.
- **Satisfying performance needs:** Allows a company to remain in the market and continue to compete with existing competing enterprises.
- **Satisfying excitement needs:** Allows a company to excel, to be world class, best-in-class and thus dominate the marketplace. This is especially true for blue ocean strategy.

Dissatisfiers or Basic Needs – Expected features or characteristics of a product or service that are not declared but expected e.g. hotel room cleanliness, reliability, empathy in case of complaint etc. If this basic need is not met consumers will be extremely dissatisfied. When consumers are dissatisfied they will voice that negativity strongly while on the contrary consumers say little at all.

Satisfiers or Performance Needs – Typically this is where the product or service offering is correctly positioned and delivered e.g. quality versus price, user friendliness, speed, professionalism. Again if this need is satisfied not necessarily is it expressed explicitly although it does provide a longer sensation of satisfaction and is a key motivator for further consumer purchases.

Delighters or Excitement Needs – Unexpected features or characteristics of product or service offering that distance the enterprise from the competition but also the consumer from other consumers. These needs, if met, are very strongly voiced when communicated to thirds and extremely appreciated by consumers. However, they are typically latent [Nishino et al, 2008] and remain unspoken. They can be 'trivial', such as anticipating a customers preferred dish, wine, table etc. at a restaurant or unsolicited personalization, or whopping such as replacing broken products free of charge even through it was the consumers fault.

Although these needs categories appear unquantifiable Nishino et al. proposes an analytical model based on the Japanese Kansei approach⁵ in which consumer needs are collected, analysed and connected to correct product development.

⁵ Kansei is a universally accepted and structured way of satisfying consumer needs during product development.

Kano's model, which is depicted next, shows that satisfaction/dissatisfaction and performance can be quantified and hence scaled:

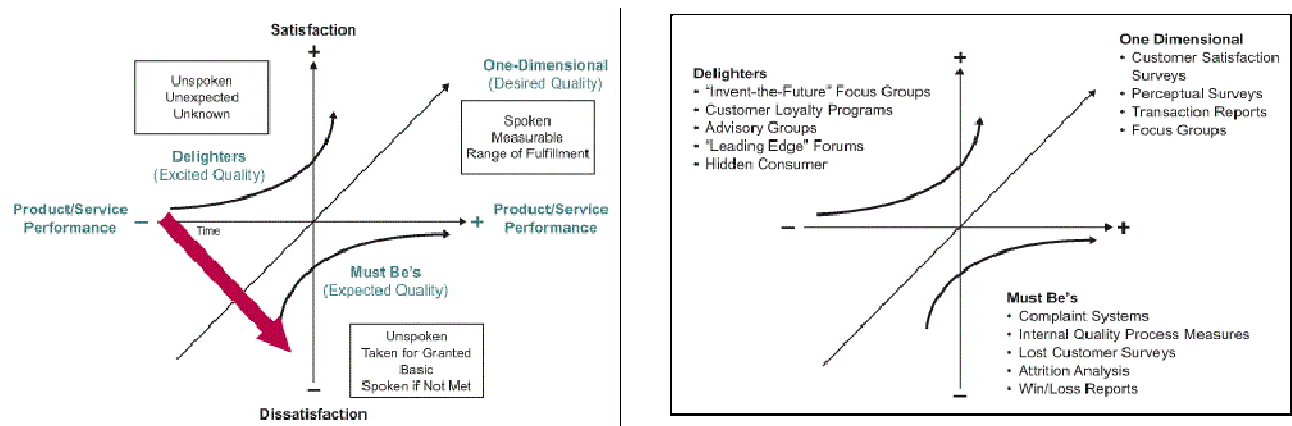


Figure 8 – Kano's model of Satisfaction-Dissatisfaction versus product/service performance

This graph summarises the viewpoint of the customer in terms of the quality and performance of product or service. It visualises spoken and unspoken information from the customer.

In a world dominated by hi-tech and informatics it is not surprising that mans' needs have also brought about a need for information. Furthermore, in the 7 needs model the cognitive need is also a need for knowledge, to know and to be informed. Norwood [1999] proposes an information needs pyramid similar to Maslow's hierarchy needs model and is proposed to describe the kinds of information that individuals seek at different levels. At the most basic and lowest level individuals needs are addressed by information that copes with situations, otherwise known as **coping information**. This information is primarily about satisfying an immediate need and thus has a very short-term time frame of application, virtually call-on-demand.

The next level of information addresses safety, defined as **helping information** by Norwood. This information satisfies a need for safety and security. Although this information can also be judged short-term it requires continuous refreshing and confirmation so as to provide reassurance. An interesting and growing requirement for lower levels of information concerns that of e-Government and e-Governance. In both contexts the objective is to bring the management and/or market-decision mechanisms into the realm of traditional public administration and the public domain, for example by getting public services online and sharing information that involve and condition the public.

Individuals will also search for *belongingness* just as Maslow suggested with love needs and social acceptance. Norwood classifies this information as **enlightening information** and represents an individuals need to seek the development of relationships (think of social networking). At the fourth level esteem needs are represented by **empowering information** and concerns self-worth and awareness. Finally, people in the growth levels of cognitive, aesthetic, and self-actualization, as seen in the 7 needs model, search for **edifying information**.

Since Norwood stops here it is quite plausible that transcendence needs seen in the 8 needs model equally require information needs. In this paper we address this type of information as spiritual, mystical or **transcendence information**. This information is not just about the transcendence of the individual but also about how an individual can help others to transcend. Indeed e-government is a the response of the community to involve people in a more open and accessible way.

Norwood's 5 level model is shown next and is represented as a pyramid to coincide with Maslow's original needs model.

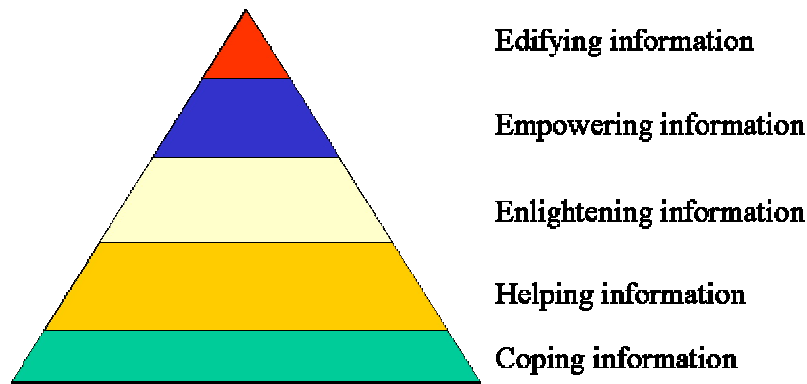


Figure 9 – Norwood's information needs model

The second view of needs is represented by the work by Ian Gough, a political economist, who provides an individual's needs in the context of social assistance and social welfare. Similarly Len Doyal, a medical ethics academic, together with Gough provide an objective view of the human need in their publication *The Theory of Human Need* [1991]. Their perspective ties needs to the participation of the individual in society, especially in terms of physical health and personal autonomy.

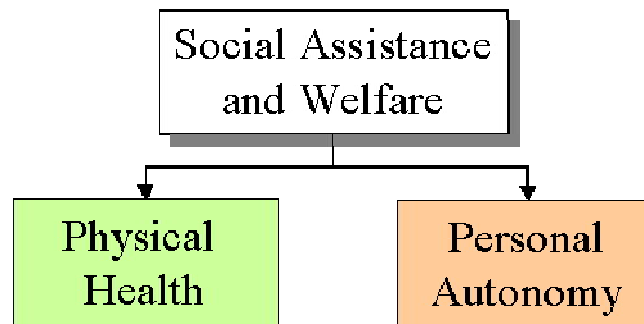


Figure 10 – Gough and Doyals' needs theory model

Physical health is a rather elaborate concept since it involves nutrition, care, the environment etc. while personal autonomy is about the capacity of an individual in making informed and contextualised decisions about what should be done (to satisfy the need) and how to go about implementing such actions. Furthermore since we are speaking about individuals needs this is strictly a bottom-up approach and not vice versa.

Doyal and Gough suggest eleven broad categories of "intermediate needs" that define how the need for physical health and personal autonomy are fulfilled:

1. Adequate nutritional food and water.
2. Adequate protective housing.
3. A safe environment for working.
4. A safe physical environment.
5. Appropriate health care.
6. Security in childhood.
7. Significant primary relationships with others.
8. Physical security.
9. Economic security.
10. Safe birth control and child-bearing.
11. Appropriate basic and cross-cultural education.

Personal circumstances however, are key to the satisfaction of such needs, for example, a person with adequate physical capacity and education will find these needs much easier to attain and sustain. Consequently old age people, the handicapped, those with learning difficulties etc. will

have less chance because of a deficiency in capabilities. In fact academics agree that Doyal and Gough's theory should be associated to the capability approach developed by Amartya Sen and Martha Nussbaum [1993] that discusses "substantial freedoms" including the ability to live to an old age, engage in economic transactions, participate in political activities etc. A further consideration is that the capability of an individual and relative needs will determine just how far he or she is included in society⁶. Hence Doyal and Gough also provide insight into the degree of inclusion or exclusion in society for individuals and, with the help of the capability approach, indirectly explain poverty measures from their needs theory. Ward and Farmaki [2006] link needs theory to capabilities by suggesting that socioeconomic classification of the individual in society inevitably leads to both social stratification and hierarchy based on three social exclusion groups namely Macro-Economic, Personal-Cultural and Social-Cultural. Culture therefore plays a key role in motivation [Mühlbacher et al., 2006 and Hofstede, 2001]. The very fact that differences occur affords an opportunity to differentiate product and service offerings that in turn call for different strategies. Porter suggests three strategies, namely Cost Leadership, Product Differentiation and Focus. Although this is a rather 'old' school of thought it does emphasize the need to see a business opportunity (see table 2) from more than one angle, moreover, it helps us to view product demand from a 'willing to pay' price. Grant [2002] defines this price as *'The price at which a product can sell in the market is the aggregate of the values derived from each of these individual attribute's'*, which provides us with a tool known as Hedonic price analysis⁷.

Another discussion point about needs theories is that concerning hierarchy. Needs theories have always been structured but their ordering has left academics in two clusters of thought i.e. those that favour a hierarchical sequential approach e.g. Maslow, and those who prefer a more hierarchical circumstantial approach e.g. Alderfer. Academics have not really truly discussed in detail eventual differences between these two schools of thought but James [1962] and Mathes [1981] view hierarchy as a convenient tactic. James hypothesized three levels titled *material* (physiological, safety), *social* (belongingness, esteem) and *spiritual* while Mathes equally proposed three levels of needs denominated physiological, belongingness, and self-actualization. Interestingly Mathes considered security and self-esteem as unwarranted. What appears to be common ground is that needs theories start from physiological needs and only after do we see discrepancies. Such discrepancies are certainly socio-cultural in nature [Ward and Farmaki, 2006] but as globalization progresses higher level needs are being aligned. For enterprises this means [Morace, 2008] global consumers and consumerism is not fiction but fact.

Alderfer [1972] developed a comparable hierarchy with his ERG (existence, relatedness, and growth) theory. His approach modified Maslow's theory based on the work of Gordon Allport [1960, 1961] who incorporated concepts from systems theory into his work on personality. Allport believed that an individual's philosophy is founded upon their values, or basic convictions that what the person holds about what is and is not of real importance in (their) life. From this assumption he outlined six major value-types and similar to Maslow's needs pyramid, as follows:

1. The Theoretical person is primarily concerned with the discovery of truth, to which they seek in a cognitive way.
2. The Economic individual places highest value on what is the most useful.
3. The Aesthetic person places high value of form and harmony. They believe life to be a series of events that are to be enjoyed for its own sake.

⁶ For example, poverty is understood as capability-deprivation due to ignorance, government oppression, lack of economic resources etc.

⁷ Hedonic price analysis observes price differences for competing products, relate these differences to the different combinations of attributes offered by each product, and calculates the implicit market price for each attribute [Grant, 2002]

4. The Social type seeks out the love of people.
5. The Political person's dominant drive is power.
6. The Religious individual places highest value on unity. They seek to understand and experience the world as a unified whole.

The social theory of Pierre Bourdieu [1998] is offered as an alternative to the Maslow approach, providing the basis for a social critique of consumerism and an alternative evolutionary theory of consumption. In this approach, the structure of the social hierarchy both constrains the consumption of lower social strata and leads to subtle, less conspicuous consumption patterns at the top of the social hierarchy: a scenario that could provide a social foundation to the Engel curve. Engel's curve and subsequent law was formulated nearly 150 years ago and states that with rising incomes, the share of expenditures for food products (and, by extension, other things as well) declines. This law was brought forward at a time when agriculture was slowly being taken over by industry, hence the curiosity in investigating income effects on food. Engel showed that as a country develops economically, the relative importance of agriculture declines. He suggested that the primary reason for this behaviour was that as incomes increase the proportion of income spent on food declines and money is spent on higher needs such as esteem, self-actualization. Engel also found, based on surveys of family budgets and expenditure patterns, that the income elasticity of demand for food was relatively low⁸. We note that Engel's Law does NOT advocate that the consumption of food products remains unchanged as income increases!, rather it suggests that consumers increase their expenditures for foodstuffs (in % terms) less than their increases in income.

Another view of motivation theories is to consider them as part of a process in which we furnish a certain effort to achieve a certain outcome under a degree of expectancy. Vroom's expectancy theory sees motivation (in the workplace) not in terms of needs (unlike Maslow and Herzberg) rather he focuses on outcomes.

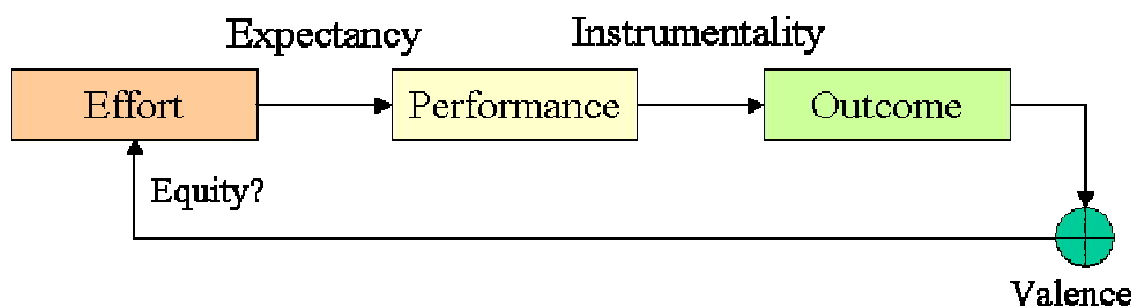


Figure 11 – Expectancy theory by Vroom

Vroom, hypothesises that in order for a person to be motivated that effort, performance and motivation must be linked. Along this process the need will be subjected to three variables, namely, Valence, Expectancy and Instrumentality. Expectancy is the belief that increased effort will lead to increased performance i.e. if I work harder then this will be better, while instrumentality is the belief that if you perform well that a valued outcome will be received. Valence is the importance that the individual places upon the expected outcome. Although Vroom, like Maslow and Herzberg, focuses on the workplace his model lends itself to additional interpretation of human needs, for example, people may place more emphasis on status and at the expense of belongingness and security even it is only temporary, think of young people participating in the casting of programs like The Big Brother. Indeed Vroom's hypothesis predicts that the effort of the individual will depend on the value the person places on the outcome. In terms of consumers this means that time and the amount of effort needed to satisfy the need will lead to different degrees of satisfaction or dissatisfaction.

⁸ The resulting shift in expenditures affects demand patterns and employment structures.

The Adam's Equity Theory [1963] is another work motivation theory that asserts employees become de-motivated when the balance between effort, or input, does not match the output. In a similar fashion a consumer will search for a correct and fair balance between an input and outcome and consider their relationship fundamental in deciding if a need has been satisfied. CRM leverages and manages precisely this relationship between input and output.

As we have seen objectives and therefore goals can be key motivators, Latham and Locke [2002] speak of *goals and subconscious motivation* and summarise 35 years of goal-setting theory and motivation in the workplace. But they compare goal-setting theory (that concerns the workplace) to social-cognitive theory (the individual), a sort of bridge between the organization and the person. In their analysis we feel that they raise indirectly (and perhaps accidentally) a question of multiple goal setting (for one or more individuals) and how these breed in the context of team-playing. Could this indicate a flaw in needs theories i.e. individual needs do not stand-alone but survive and thrive also thanks to others?

From Needs to Opportunities

One of the most celebrated phrases of Philip Kotler is 'It is no longer enough to satisfy customers but you must delight them' and he was one of the first marketing gurus to recognise that firms need to meet customer needs, retain customer loyalty and innovate to keep in step with changing needs.

Kotler [2003] argues that a person's buying choices are influenced by four psychological factors; motivation, perception, learning, and beliefs and attitudes [pp.195-198]. he goes on to highlight that in terms of motivation celebrities such as Freud, Maslow and Herzberg carry different implications for consumer analysis and subsequent [marketing) strategy. For example, Freud claimed that people's behaviour were largely unconscious and a technique known as *laddering* can be used to trace a person's motivation. The link between motivation and needs theories is that a **motive** is a **need** that is sufficiently pressing to drive the person to act [Kotler, p.195, 2003]. Hence in the buying process we have different levels of attention and drive to consume. In a similar manner we may consider the evolution of the consumer's attitude to the product during its life cycle (PLC). Wasson [cited by Kotler, p.340, 2003] indeed provides a link between PLC, marketing objectives and strategies, but not strictly between consumer needs and enterprise strategies.

However, the discovery (or rediscovery) of needs and development of needs theories inevitably leads to several opportunities for their application and exploitation. This implies that once a company detects a consumer need a suitable strategy is required in order to satisfy the consumer and exploit or build the business opportunity. If the opportunity turns out to be a question of product range extension, additional features, design update etc. then we consider this to be a (declared) need that is best tackled with red ocean strategy, which is typical of the prescriptive school of thought for strategy [Mintzberg et al. 1998] and most likely sit in the lower levels of Maslow's pyramid. On the other hand if the opportunity satisfies a latent need then we may well have the opportunity to charter into a blue ocean i.e. use a descriptive school of thought of strategy. We suspect the blue ocean type opportunities to sit at the top of pyramid i.e. towards or in the domain of the *being*. As a counter argument though we must not forget that the majority of the human race have still to satisfy their basic needs, so economically speaking, and as suggested recently by Prahalad [2005], the gold may lie at the bottom of pyramid⁹ and not vice versa. Another useful consideration of how difficult or non-obvious it is to relate needs to opportunities can be smoking in juveniles. The need here could be interpreted in several ways e.g. belongingness through emulation (to feel like an adult) or challenge your parents and/or the establishment.

In order to assess opportunities we promote the idea that one may view these opportunities from three different perspectives; Person, Institution and Enterprise (PIE), defined as follows:

1. For the individual (person) and/or community.

⁹ Over 4 billion people are living on less than 2 US\$ per day [www.12manage.com]

- o The realization of what is missing and what requires developing/satisfying
 - o The prioritisation of needs i.e. understanding what is more or less important and when they should be attained.
 - o The necessary support to favour such awareness.
2. For the institutions
- o The realization of what is missing and what needs to be developed so as to satisfy both individuals and communities.
 - o The prioritisation of needs i.e. understanding what is more or less important and when they should be attained for the community and the good of each individual.
 - o Provides the necessary infrastructure, financial, socio-cultural and legislative support.
3. For enterprises
- o Uncover and pinpoint both individual and community needs so as to reflect and respect local customs in a responsible and sustainable manner.
 - o Provide the products and services that consumers truly need and search for (hence with more emphasis on latent rather than declared needs) while respecting the environment.
 - o Work together with the consumers and institutions to ethically sustain the demand for goods and services.
 - o Provide support to individuals, communities and institutions e.g. CSR, Sponsorship etc.

The model is depicted below:

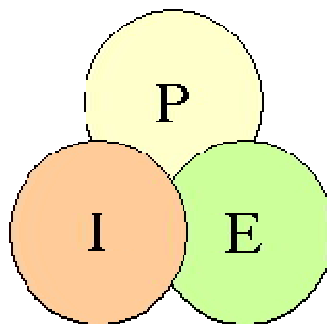


Figure 12 – PIE Needs-Opportunities model

The scope of the model is to link needs to opportunities so as to develop adequate strategies for their definition and attainment. Later (in part B) we will see how we can complete the process by developing a 3D square pyramid for which, for example, each of the four sides represent needs, markets, strategies and benefits. Seen purely from an enterprise point of view this implies ensuring that internal and external contexts match, which in turn entails exploiting many of the typical strategic management tools e.g. ARC and PIE [Saloner et al., 2001], Ansoff matrix [Di Michael, 2003], Porters five forces model [Porter, 1985] and so on.

To exemplify how needs can generate opportunities for enterprises the following table lists a series of consumer products and/or services (some of which have generated new industries) and strategies [Porter, 1980]. The table is based on Maslow's derived 8 needs model and Porter's concept of strategies for enterprises and industries [1985]. In the far right column we see a view of the spectrum of strategy, which goes from red ocean to blue ocean strategies as we progress through Maslow's pyramid of needs. Conceptually what we promote is that at the bottom of the pyramid consumer needs are declared and enterprises and industries have already tried to satisfy them (and continue to do so with success). What changes is how these needs are satisfied and the fact that enterprises need to fight-off increasingly more fierce competition. As we progress towards the top of the pyramid we move into blue ocean strategy where we invent the future and anticipate the needs of the consumer and satisfy (more) the latent needs.

Table 2 – Needs and Opportunities

Needs	Opportunity for the Enterprise	Example of Strategy
Biological and Physiological needs such as air, food, drink, shelter, warmth, sex, sleep, etc.	Food and drink dispensers, comfortable housing, central heating, beds, contraceptives, air purifiers, preventive medicine, fitness and fitness centres, co-branding etc.	Cost Leadership, Product differentiation Focus
Safety needs such protection from elements, security, order, law, limits, stability, etc.	House alarms, personal anti-attack alarms, private policing, fixed financial income (e.g. fixed salary, pension etc.), life insurance, windows and doors, body guards, web-banks, savings accounts etc.	Cost Leadership, Product differentiation Focus
Belongingness and Love needs such as work groups, family, affection, relationships etc.	Social networks, clubs, institutions, family, marriage and/or engagement, ceremonies such as weddings and parties, religion, dating and match-making services, chat-lines etc.	Product differentiation Focus
Esteem needs such as self-esteem, achievement, mastery, independence, status, dominance, prestige, managerial responsibility etc.	Career counselling, personal development and training, cosmetics, fashion, fast cars, luxury products, home improvements, furniture, fashion clothes, drinks, lifestyle products and services	Product differentiation Focus
Cognitive needs such as knowledge, meaning, etc.	Wikipedia, further education, cookery classes, language and cultural classes, self-awareness programs, interest towards the arts and humanities, social forums	Product differentiation Focus
Aesthetic needs such as appreciation and search for beauty, balance, form, etc.	Fitness, yoga, facial and body surgery, beauty farms, tanning centres, personal trainers, indoor fitness equipment, personalised diets, cosmetics	Product differentiation
Self-Actualization needs such as realising personal potential, self-fulfilment, seeking personal growth and peak experiences.	Teaching, personal development, vocational activities, personal trainers, thrill-seeking such as bungee jumping and sky-diving, career changing	Product differentiation
Transcendence needs such as helping others to self-actualise	Teaching (to teach), family consultancy, good Samaritans, home-helps, humanitarian assistance, free on-line medical advice	Product differentiation

Conclusions

The 5 needs model is still very much dominant in needs theories, thus testifying this epic piece of work by Maslow, however, there are other aspects to needs and what motivates an individual. For example, Information needs by Norwood provides us with a view of society and individuals in an era in which information is a vital competitive advantage. Moreover, we emphasise that modern society is pushing individuals to seek the accomplishment of needs in the shortest possible time and with the least effort. TV Programs such as The Big Brother and American Idol testify that individuals seek not just status but also fame and fortune with limited knowledge and seeking shortcuts at all costs.

Since no universal needs model appears to be on the horizon it makes sense for enterprises to at least realise strategies that monitor and tag changes in such needs. Perhaps more important is that as enterprises acquire more sensitivity towards consumer needs and how individuals relate to them, so it becomes more likely that differences between, shareholders, stakeholders and consumers will shrink or be re-ordered. This is fortified by the social theory of Pierre Bourdieu that links consumption to macro-economics by providing a social perspective of Engel's curve.

There are conflicting views, and even concepts, in needs theories such as hierarchy, evolution of the individual and the prioritisation of needs and although this paper attempts to provide the widest possible view, the authors consider this paper to be a starting point for further development. The PIE model should help enterprises view consumers, institutions and their organisation as one interweaved entity.

Moreover, the authors feel that the major contribution of this paper is not only an overview of needs theories but especially how enterprises can link consumer needs to benefits, market identification and ultimately, strategy as well. This will be the subject of part B of this two part series of papers.

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